VZCZCXYZ0000
RR RUEHWEB

DE RUEHBS #2988 2480611
ZNR UUUUU ZZH
R 050611Z SEP 06
FM AMEMBASSY BRUSSELS
TO RUEHC/SECSTATE WASHDC 2977
INFO RUCPDOC/USDOC WASHDC
RHMCSUU/FAA NATIONAL HQ WASHDC

UNCLAS BRUSSELS 002988

SIPDIS

SIPDIS

STATE FOR EB/TRA, AF/C AND EUR/UBI
FAA FOR R.DeWinter, AEU-10
USDOC FOR 3133/USFCS/OIO/EUR

E.O. 12958: N/A
TAGS: EAIR EINV BE XY ZF
SUBJECT: SN-BRUSSELS AIRLINES PLANS EXPANSION IN AFRICA

¶1. (U) According to company representatives, SN Brusels Airlines (SNBA) is planning to expand it presence in Africa in the coming years. Eschwing larger airports such as Casablanca, Nairobi and Johannesburg, where other international airlines have a strong presence, SNBA intends to focus on West and Central African countries where it is better positioned for growth. SNBA has existing connections from its Brussels hub to 14 African destinations, including Senegal, Cote d?Ivoire, Cameroon and the Democratic Republic of Congo.

¶2. (U) SNBA, the commercial successor to now-defunct Belgian national carrier Sabena, plans to carry out this expansion by purchasing majority shares in newly privatized national airlines in Africa. This will create the opportunity for strategic liaisons and code-sharing between SN and these regional African carriers. Control of Cameroon Airlines is expected to be ceded shortly to the new corporation First Delta Air Services, of which SNBA owns 51 percent. This will allow SNBA to create an African hub at Douala, centrally located within two hours? flying time of 15 African capital cities. According to industry analysts SNBA is also a prime candidate to be a foreign partner for Rwandair Express, the Rwandan national airline being considered for privatization. Airline spokesmen refused to comment on the scale of investment called for by the expansion plans.

¶3. (U) SNBA has been successful in gaining these partnership positions because of its long-standing presence in the region and its commitment to retaining the local character of the African airlines. In its deal with Cameroon Airlines, for example, SNBA pledged not to replace the Cameroonian management with expatriates and to hire local workers whenever possible. SNBA has every incentive to keep this promise, as there is far more labor flexibility and lower costs in hiring African employees than ?importing? Europeans to do the same work. However, the expansion will not be without its difficulties; long distances between airports, high fuel costs and substandard airport facilities will all challenge SNBA?s goal of providing European standards of punctuality and security to its African clients.

¶4. (SBU) COMMENT: SN Brussels? plans reflect the legacy of its precursor company, SABENA, which went bankrupt in 2001. Sabena was a significant presence and made significant profit from its African routes; its bankruptcy was due to overstaffing and political featherbedding by the state-held airline, as well as under-capitalization in an alliance with Swissair. While the conditions for African civil aviation have not improved significantly in recent years, SNBA management has, and the current expansion comes with relatively low cost. Expanding SNBA?s long-haul routes also fits within its announced strategy since merging with Virgin Express. It intends to focus on the generally non-discounted business/government/IO traveler with SNBA, while expanding the discount traveler volume on Virgin. The Belgian carrier?s experience in Africa and assistance to the newer carriers may also prove useful in helping privatization of the region?s airlines succeed.

Korologos